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Department of State TELEGRAM

XR PET 14 Libya (442)

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ACTION E-11

INFO OCT-01 AF-08 ARA-00 EUR-20 EA-11 NEA-09 CIAE-00
DODE-00 PM-06 H-02 INR-06 L-03 NSAE-00 NSC-10 P-03
RSC-01 PRS-01 SS-14 USIA-12 SA-03 OPIC-12 OEP-01
INT-06 TRSE-00 XMB-06 COM-08 AID-20 CIEP-01 SAL-02
STR-08 OMB-01 FMC-04 RSR-01 /199 W

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R 141449Z MAR 72
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 8610
INFO USINT ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY BENGHAZI
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY DJAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TEHRAN
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DEPARTMENT OF STATE A/CDC
REVIEWED BY CJ DATE 3/4/82
EXEMPTION
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C O N F I D E N T I A L TRIPOLI 0514

SUBJ: LIBYA, OPEC AND PARTICIPATION

REF: BEIRUT 2742, TRIPOLI 269 AND 389 (NOTAL)

SUMMARY: FOLLOWING OAPEC MEETING IN KUWAIT AND OPEC MEETING IN BEIRUT, LIBYANS, THOUGH DECLARING SOLIDARITY WITH OPEC DECISION ON PARTICIPATION, EXPRESSED DISSATISFACTION WITH 20 PERCENT FORMULA. SOONER OR LATER THIS PRESAGES DIFFICULT ROUND OF NEGOTIATIONS ON PARTICIPATION. MEANWHILE PARITY QUESTION STILL

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REMAINS IN SUSPENSE. END SUMMARY

1. LARG MINISTER OF PETROLEUM MABRUK AND ACCOMPANYING DELEGATION RETURNED TO TRIPOLI MARCH 12 AFTER PARTICIPATING IN MEETINGS WITH OAPEC IN KUWAIT AND OPEC IN BEIRUT.

2. IN A STATEMENT TO LIBYAN NEWS AGENCY, MABRUK CHARACTERIZED OAPEC MEETING AS HAVING "SERIOUSNESS UNLIKE ITS PREDECESSORS." MABRUK NOTED ACHIEVEMENTS OF ADMITTING THREE NEW NATIONS TO THE ORGANIZATION (SYRIA, EGYPT AND IRAQ) AND THE INITIALING OF A STATUTE PROVIDING FOR ORGANIZATION OF AN ARAB TANKER FLEET AND BAHRAIN DRYDOCK INSTALLATION. LINKING THESE OAPEC DECISIONS, MABRUK NOTED ADMISSION OF THREE NEW NATIONS WOULD BE EFFECTIVE INSTRUMENT TO PUSHING ORGANIZATION FORWARD, DUE TO AVAILABILITY OF EXPERIENCE AND ENERGY WHICH WOULD HELP EXPEDITE IMPLEMENTATION OF THE TANKER AND DRYDOCK PROJECTS AND THE LATER ESTABLISHMENT OF OIL SERVICE COMPANIES.

3. TURNING TO OPEC BEIRUT MEETINGS, MABRUK DESCRIBED THEM AS IMPORTANT AND CONFINED HIS REMARKS MAINLY TO PARTICIPATION ISSUE. HE STATED PARTICIPATION IS A RIGHT OF PRODUCER STATES. ACCEPTANCE OF 20 PERCENT AS A MINIMUM IS NOT IMPORTANT; WHAT IS IMPORTANT ARE THE
CONDITIONS WHICH RESULT FROM THE OIL COMPANIES' ACCEPTANCE OF PARTICIPATION. HE THEN NOTED 20 PERCENT FIGURE DOES NOT MEET LIBYAN DEMANS AND HE ADDED VAGUE THREAT THAT IF LIBYA WISHES TO INCREASE ITS REVENUE IT SHALL HAVE TO RESORT TO "OTHER MEANS." MABRUK SOUGHT FURTHER TO JUSTIFY RIGHT OF PARTICIPATION BY GOING BACK TO IRAQ PETROLEUM COMPANY CONTRACT GIVING IRAQI GOVERNMENT A 20 PERCENT PARTICIPATION. MABRUK'S STATEMENT CONCLUDED ON A NOTE OF DISAPPOINTMENT, NOTING LIBYA'S ASSENT TO THE BEIRUT FORMULA WAS PROMPTED BY THE DESIRE NOT TO ACCEPT A SPLIT IN OPEC.

4. COMMENT. MABRUK'S STATEMENT TO LNA CONTAINS ALL OF THE ELEMENTS WE HAVE COME TO EXPECT AS PART OF LIBYA'S POSTURE VIS-A-VIS OPEC AND THE INTERNATIONAL PETROLEUM COMPANIES. FAMILIAR ELEMENTS OF THIS POSTURE ARE THE INCLUSION OF VEILED THREATS IF LIBYAN DEMANDS NOT MET, A RITUAL EXPRESSION OF SOLIDARITY WITH OPEC, PARADOXICALLY LINKED WITH STATEMENT OF DISSATISFACTION WITH ITS DECISIONS, AND THE CLEAR NOTICE THAT LIBYA EXPECTS MORE. OUR REACTION, WHICH IS GENERALLY SHARED BY LOCAL OIL COMPANY SOURCES HERE, IS THAT INEVITABLE ROUND OF PARTICIPATION TALKS HERE WILL BE DIFFICULT AND PROTRACTED. MATTERS ARE NOT HELPED BY FACT THAT

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PARITY ISSUE STILL NOT SETTLED. ONE COMPANY SOURCE ASKED RUEFULLY AND RHETORICALLY THAT IF MODALITIES OF PARTICIPATION BETWEEN ARAMCO AND SAUDI ARABIA STILL REQUIRE LENGTHY AND DIFFICULT NEGOTIATION, WHAT WILL BE THE MAGNITUDE OF THE PROBLEMS HERE? GP-4. PALMER

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INR/RAF:BWBROWN
3/17/72 EXT 20688
INR/RAF:LMRIVES

INR/RES:BMZOOK (IN DRAFT)
EUR/SOV:JKADILIS (IN DRAFT)

AF/AFN:WCLARK (IN DRAFT)
EUR/RPE:DGDGSHAW (IN DRAFT)

ROUTINE US MISSION EC BRUSSELS

ROUTINE TRIPOLI, MOSCOW ROUTINE

LMR
BWB
BMZ
WC
JK
DGS

REF: EC BRUSSELS 917 (NOTAL)

1. WE HAVE NO EVIDENCE THAT EITHER SOVIETS OR LIBYANS CONTEMPLATE CRUDE OIL SALES OF SUCH A MAGNITUDE AS TO AFFECT SIGNIFICANTLY LIBYAN SUPPLIES TO WESTERN EUROPE. SOVIETS DO NOT NEED LIBYAN (OR OTHER) CRUDE IN LARGE AMOUNTS AND LIBYA BELIEVED UNLIKELY TO FOREGO HARD CURRENCY SALES IN WESTERN EUROPE FOR BARTER DEALS IN EASTERN EUROPE FOR SUBSTANTIAL AMOUNTS OF CRUDE. THIS WOULD NOT PRECLUDE RELATIVELY SMALL SALES OF LIBYAN GOVERNMENT-CONTROLLED OIL IN EASTERN EUROPE, PARTICULARLY "HOT" BRITISH PETROLEUM CRUDE.

2. SOVIETS ARE SEEKING FRIENDLIER RELATIONS WITH LIBYA IN CONTEXT OF GENERAL IMPROVEMENT WITH ALL ARAB "PROGRESSIVE" REGIMES. LIBYANS ARE PROBABLY UNDER PRESSURE TO MAKE POLITICAL GESTURES TOWARD MOSCOW. THEY MAY BE SEEKING SOVIET ARMS AS WELL, BUT WE HAVE NO CONFIRMATION OF SPECULATIVE PRESS REPORTS OF A NEW ARMS AGREEMENT.

3. SUBJECT TO FURTHER EMBASSY TRIPOLI OR MOSCOW COMMENTS, USEC MAY BRIEF EC COMMISSION ALONG PRECEEDING LINES. 44

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PET 15-2 LIBYA

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ACTION AF-13

INFO OCT-01 EUR-20 AID-20 CIAE-00 COM-08 E-11 FRB-02
INR-06 NSAE-00 RSC-01 TRSE-00 XMB-06 OPIC-12 CIEP-01
LAB-06 SIL-01 SAL-02 OMB-01 INT-06 L-03 NSC-10 SS-14
STR-08 SA-03 RSR-01 /156 W

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BENGHAZI 127
3.18.72

R 181422Z MAR 72
FM AMEMBASSY BENGHAZI
H RUESTI/AMEMBASSY TRIPOLI 1938
INFO AMEMBASSY LONDON 89.
SECSTATE WASHDC 758

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SUBJECT: NATIONALIZATION OF BP

FROM MACK

JOHN SUTCLIFFE AND CHRIS WILLI OF BP ARRIVED IN TRIPOLI ON MARCH 17.

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ACTION AF-04

INFO OCT-01 SS-14 NSCE-00 NSC-10 INR-05 E-03 CIAE-00 PRS-01
L-02 OMB-01 PM-03 OEP-01 RSC-01 RSR-01 EUR-10 NSAE-00
SA-01 /058 W

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R 211355Z MAR 72
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 8633
INFO AMEMBASSY BENGHAZI
AMEMBASSY LONDON

3/4/72

C O N F I D E N T I A L TRIPOLI 0548

LIMDIS

SUBJ: NATIONALIZATION OF BP

REF: BENGHAZI 127

1. AS INDICATED REFTEL, JOHN SUTCLIFFE (BP'S REGIONAL COORDINATOR FOR THE MIDDLE EAST AND LONG-TIME MAJOR NEGOTIATOR FOR COMPANY IN THIS PART OF THE WORLD) AND CHRISS WILLI (LEGAL EXPERT), ARRIVED TRIPOLI MARCH 17, TOGETHER WITH US BUSINESS FIGURE (FNU) COATES FROM GENEVA WHO, OUR LOCAL OIL COMPANY SOURCES REPORT, ALLEGED BE CATALYST IN BRINGING BP TOGETHER WITH LARG OFFICIALS TO DISCUSS COMPENSATION FOR COMPANY'S NATIONALIZED CONCESSION. WE UNDERSTAND SUTCLIFFE AND WILLI DID EVENTUALLY MEET WITH RCC MEMBER JALLUD AND MINISTER OF PETROLEUM MABRUK AFTER KEYSTONE COPS SEQUENCE DURING WHICH BOTH SUTCLIFFE AND COATES HAD VISA DIFFICULTIES.

2. JALLUD IS REPORTED TO HAVE "TALKED NOTHING BUT NET BOOK VALUE" WHICH SUTCLIFFE AND WILLI REJECTED. MEETING BROKE UP, WE UNDERSTAND, AFTER BRIEF LIMITED EXCHANGE. MOOD OF LIBYANS, WE UNDERSTAND, WAS NOT PARTICULARLY CONCILIATORY, BUT SUTCLIFFE [illegible] HE WAS PERSONALLY ENCOURAGED BY

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MERE FACT MEETING HAD TAKEN PLACE.

3. OUR SOURCES DO NOT KNOW WHETHER ANY DATE HAS BEEN SET FOR FUTURE MEETING.
GP-4.
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XR PET 14 Libya

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ACTION E-11

INFO OCT-01 AF-08 ARA-08 EUR-20 EA-11 NEA-09 CIAE-00
DODE-00 PM-06 H-02 INR-06 L-03 NSAE-00 NSC-10 P-03
RSC-01 PRS-01 SS-14 USIA-12 SA-03 OPIC-12 OEP-01
INT-06 TRSE-00 XMB-06 COM-08 AID-20 CIEP-01 SAL-02
STR-08 OMB-01 RSR-01 /195 W

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R 211130Z MAR 72
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 8631
INFO USINT ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY BENGHAZI
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY DJAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY LAGOS
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TEHRAN
USMISSION USOECD PARIS

C O N F I D E N T I A L TRIPOLI 0546

SUBJ: LIBYAN PRESS ON PARTICIPATION

REF: TRIPOLI 514 — PET 3 OAPEC
XR PET 3 OAPEC
XR PET 14 Libya

1. TRIPOLI DAILY AL-RAID RAN BACKPAGE EDITORIAL MARCH 16 ENTITLED "OUR CLAIMS FOR PARTICIPATION WITH OIL COMPANIES IS BACKED BY LIBERALS AND SUPPORTED BY PEOPLES FIGHTING FOR THEIR RIGHTS".

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2. CRUX OF ARTICLE IS THAT 51 PERCENT PRODUCING COUNTRY PARTICIPATION IS SIMPLY A MATTER OF LOGIC, DERIVING FROM A NATION'S SOVEREIGNTY OVER ITS NATURAL RESOURCES. AFTER INITIAL ATTACK ON FOREIGN DOMINATION OF THE ECONOMY AS A FORM OF NEO-COLONIALISM AND AN ATTEMPT TO KEEP COUNTRIES IN AN UDERDEVELOPED STATE, AL-RAID ATTACKS FAILURE OF COMPANIES TO PROVIDE POSITIONSOF LEADERSHIP AND RESPONSIBILITY FOR YOUNGMEN OF THE COUNTRY. EDITORIAL THEN CONCLUDES ASKING WHETHER COMPANIES WILL MOVE AWAY FROM THEIR NEGATIVE STAND AND COME TO FOLLOW THE RIGHT PATH OR WHETHER THEY WILL FORCE LIBYA TO TAKE NECESSARY AND FIRM STEPS TO END "LEGENDARY EXPLOITATION AND MONOPOLY".

3. COMMENT: AL-RAID'S POLEMICAL ARTICLE FITS WELL WITH PREVIOUS LARG EXPRESSIONS OF DISSATISFACTION WITH 20 PERCENT OPEC PARTICIPATION FORMULA. IN KEEPING WITH LARG'S POLICY OF TAKING ANY OPEC SETTLEMENT AS THE STARTING POINT OF ITS OWN DEMANDS, WE WOULD HARDLY EXPECT LARG TO LOWER ITS TARGET IN FORTHCOMING PARTICIPATION NEGOTIATIONS.

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AF-5

RM/R	REP	INF
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AGR	COM	FRB
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OSD	USIA	NSA
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HANDLING INDICATOR

TO : Department of State

INFO Amembassy BENGHAZI

DEPT PLEASE PASS: USINT ALGIERS, BEIRUT, CARACAS, DHAHRAN, JIDDA, LONDON, ROME, TEHRAN, OECD PARIS

RECEIVED IN DEPT OF STATE

FROM : Amembassy TRIPOLI

DATE: March 22, 1972

SUBJECT: ENI and Participation in Libya

REF :

cj 3/4/82

SUMMARY: To all appearances the Italians, through ENI, have agreed in principle to a participation formula with the Libyans, but the percentage remains unknown. ENI has already begun pumping crude into Occidental's gathering system and, with the prospect that the Italians will be exporting by the end of March and with participation talks with the other Western oil companies on the docket, the formula the Italians and Libyans accept will be an important indicator of LARG's future petroleum policy. There are indications of acquiescence on the Italian side to a substantial Libyan participation, both because of Italian needs for crude and perhaps because of Italian hope such a concession would be part of a larger package which might restore their earlier prerogatives here. END SUMMARY.

Background and History of ENI's Libyan Concessions

As early as October 1971 there were indications that the Libyan Government had notified ENI that it wished to open discussions concerning participation in ENI's Libyan operations. No details were published concerning the nature or extent of the participation or the operations involved. There has also been no announcement in Libya with regard to the matter subsequently.

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GROUP 4

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Drafted by: ECON:JRCoulterryman:s (3/21/72)

Contents and Classification Approved by: CHARGE:HGJosif

Clearances:

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ENI's first exploration venture in Libya was in Concession 82, awarded in November 1959 to Compagnia Ricerche Idrocarburi S.p.A. (CORI), a 90 percent-owned ENI affiliate. The terms of the concession agreement allowed for a 30 percent government participation. A number of wells were drilled in Concession 82 and hydrocarbons were encountered, but there was no commercial discovery.

In March 1966, AGIP was awarded Concessions 100 and 101. It is generally understood here that the terms of these concessions did not contain any provision for government participation in production but did provide for participation in local marketing. Certain other "extras" were apparently offered also. In the latter part of 1968, AGIP made a discovery in Concession 100 (about 185 miles from the Mediterranean Coast) with a reported potential production of several hundred thousand barrels a day. The crude, however, possessed a high wax content and posed transportation problems. Additionally, the Libyan Ministry of Petroleum refused to permit exploitation if gas were to be flared. In June 1971 it was announced that AGIP would construct a 70-mile spur line to Occidental's gathering system and export the crude via the Zuetina Terminal. Associated gas would be stored in Occidental's Intisar-D field and Occidental would receive a fee for providing these facilities. This AGIP discovery is now on stream but to date there has been no actual export, which we understand will not begin before the end of March.

In May 1969 ENI picked up more Libyan acreage, a total of 7,720 square miles in six scattered tracts. The agreement called for government participation ranging from 30-50 percent, depending on production volumes and the distance of the discovery from the Coast. Among the "extras" here was an ENI commitment to build a natural gas pipe line to Benghazi from the Sirte Basin. Exploratory drilling has begun in these tracts; some hydrocarbons have been found but not in commercial quantities.

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Has ENI Promised Participation?

[redacted] it appears clear to us that ENI, in conjunction with its discovery in Concession 100, has agreed in principle to LARG demands for participation. Though the concession agreement does not contain a participation provision, it is known that the LARG raised the subject at the same time that it granted approval to develop the field via Occidental's facilities. On the Italian side there may additionally have been a willingness to accept participation in the hope of being able to drop some of the "extras" tied to ENI's various concessions. Local speculation goes on from this point to mention the possibility of some additional LARG-Italian agreements, possibly including long-term cooperation in oil matters.

[redacted] Our usually well-informed sources [redacted] feel that there is a commitment and it is probably well in excess of the OPEC 20 percent and may be as high as 50 or 51 percent.

COMMENT [redacted]

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